CA PADMA JAIN AUDIT CHAPTER-2 3

BASIC CONCEPTS IN AUDITING

Q13 A|cing Policies

I F CG C FIR (or) CD

I - Inventories, F - valuation of Fixed Assets

C - Construction Expenditure, G - Good will Treatment

C - Long Term Contracts profits

F - Conversion of Foreign currency items

I - valuation of Investments

R - Treatment of Retirement benefits

C - " " Contingent Liabilities

D - Method of Depreciation

Q14. Factors influencing A/s judgement as to what is sufficient Appropriate evidence

R - TIMER

R - Degree of Risk of misstatement

T - Trend indicated by A|cing Ratios

T - Type of Information available

M - materiality E - Experience during previous audits

R - Results of Auditing procedures.

Factors affecting Degree of Risk of Misstatement

IF SIM

I - nature of Items, F - Financial position of the entity

S - " and size of businesses carried out by the ".

I - adequacy of Internal Control

M - Situations that may exert unusual Influence on Management

CA PADMA JAIN AUDIT CHAPTER-3 (4)
Preparation for an Audit

Q2 Features of test checking
FIVE JSS

F – Full coverage over a period of time
I – coverage of Material items
V – variation in method, E – Estimation process
J – Judgement based, S – scientific
S – Surprise element.

Q4. items not suitable for Test checking
BSNL BEES

B – BRS, S – Transaction Small in no.
N – Non-Recurring Transaction, L – Trans. recognised by law
B – B/s items, E – op. + closing entries
E – matters involving Estimation
S – Seasonal industry

Q5 Limitations of Test checking

U BUSH

U – unreliable, B – Naive + Biased
U – unscientific, S – seasonal nature of business
H – Higher Risk.

Q7 Precautions while following Test checking
SENTI SAM

S – Stratification, E – Exceptions, N – No. of Sample items
T – Test check plan, I – Internal Control
S – Sample selection, A – Audit in Depth
M – Materiality.

CA PADMA JAIN AUDIT CHAPTER-3 (5)
Preparation for an Audit

Q8 Examination in Depth
ओर OA – operational, Alcing
ओर RA – Records, Authority
Representative
Explain the functioning
next time, sample will be smaller

Q10 Advantages of statistical Sampling
ओर OA MCD
O – objective sample, A – Amount of testing
M – estimate Minimum Sample size
C – derive a Calculated Risk
D – Better Description of large mass of data

Q13 Matters considered to develop overall Audit Plan
SPRING TP (planted TREE (in)) LSR, CP
S – conditions requiring special attention
I – Internal Auditors, R – nature + Timing of Reports, B – Branch Auditor, J – Joint Auditor
P – Alcing Policies, T – Terms of Audit engagement
R – Reliance on Alcing system and I.C.
E – Experts, E – NTE of evidence, L – Legal requirements
S – staff requirements, R – Rotation of emphasis
C – critical audit areas, P – Pronouncements on Alcing + Auditing

CA PADMA JAIN AUDIT CHAPTER-3 (7)

Preparation for an Audit

Q18 Advantages of Continuous Audit

MET D PUFFF

M – Moral check, E – Errors, T – In ~~[illegible]~~ Touch with client's Business, D – Detailed checking

P – Pressure at the end, U – A/cs up to date

F – Fraud, F – Frauds, F – Final A/c

Avoidance of Disadvantages

N ISBT

N – Nominal A/c, I – Irregular intervals

B – Balances, S – up to a definite stage

T – Ticks

Q20 Working papers should provide

CISE [Qlty.]

C – controlling, I – Information about the business

S – schedules supporting for additional items

E – Evidence

Importance of W. papers

DCE SENDS IQ (Results of) GPRS

D – Demonstrate the audit work

C – conclusions, E – Evidence, S – SA followed,

E – Evidence, N – NTE of evidence

D – Delegation, S – Supervision & review of work

I – Inspection, Q – Quality control Review.

G – Guidance to audit staff, P – Planning + performing, R – Responsibility, S – Standardize the W. papers

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IPCC – Audit by CA PADMA JAIN – Special Audit Sheet – 22

Educational Institutions (school, college, university)

Study prov. affecting A/cs
- school, college
  - Trust OR Regulations Deed
- university
  - Act of legislature + Regulations

Mtg. of managing committee
- Minutes
- Resolution
- power for
  - operation of Bank A/c
  - sanctioning of Exp.

Refund of Income Tax

Annual statement of A/C separate for
- Poor Boys Fund
- Games fund
- Hostel
- P.F. of staff

Fees
- Documents
  - Student Fee Register
  - class Register
  - Fee Receipt counterfoil
  - Cash Book
  - Admission slip
    - Adm. Fee → cr. to cap. Fund
    - Caution money as liability
- P. check
  - Fee in advance
  - Irrecoverable → bad Debt w/ Authority
  - Free or concessional studentship → Authority
  - fine for late payment
  - hostel dues
  - old heavy fee or dormitory rent arrears

Income (4)
- Rental
- Endowment + legacies
- Int / Divi
- Govt. grant
- Donations → if for specific purpose → use

Exp.
- P.F. staff ✓ → Invested in appropriate securities
- Prize fund → Inv.
- Cap. Exp. → Auth.
- All establishment expenses → if in excess of Annual budget → Sanction
- ↑ in salary of staff → Sanction

Provisions, foodstuff, clothing, equipments
- system for
  - ordering
  - Inspection of
    - Receipts
    - Issues
- bills authorised
- Inventories → EVT → documents – stock Register + Bills